

Congress of the United States

CONGRESSIONAL OVERSIGHT PANEL

Opening Statement of Elizabeth Warren

Congressional Oversight Panel Hearing with Treasury Secretary Timothy Geithner

June 22, 2010

Good morning, Mr. Secretary. We appreciate your returning to testify before the Congressional Oversight Panel for the fourth time. We have many pressing issues to discuss.

Since your last appearance here, the Panel has issued six more oversight reports, bringing our total to 20. Our latest reports have covered a great deal of territory, from the government's interventions in specific companies such as GMAC and AIG to its broader efforts to shore up entire markets such as small business lending and housing.

The breadth of our reports reflects in many ways the breadth of your ambitions. Under your leadership, Treasury has launched at least a dozen distinct programs to address different aspects of the financial crisis. It seems clear that these efforts have had an important impact: markets have calmed greatly since the turbulent fall of 2008.

But the size and scope of these programs also reflects the variety of severe strains on our financial system.

- About 3,000 banks – including six of our largest financial institutions – are dangerously exposed to the faltering commercial real estate market.
- Many more banks still haven't digested the toxic mortgages on their balance sheets and are facing new demands to pay off on bad mortgages they sold to Fannie and Freddie.
- The financial problems of these banks are straining their ability to lend to the small businesses that might otherwise be driving an economic recovery and reducing unemployment.
- And finally, it seems clear that Treasury's efforts to reduce mortgage foreclosures are not working.

As TARP's end date approaches, this Panel must know whether Treasury has carefully monitored the financial system to measure potential risks. We must also evaluate whether Treasury has diligently measured the impact of its efforts, using credible metrics to evaluate the

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success – or the failure – of its programs. Put another way: has Treasury administered TARP with the highest possible degree of transparency and accountability?

After all, reasonable people may approve or disapprove of your plan to stop foreclosures, but no one questions that its progress should be measured against a clear benchmark for success. Yet Treasury has provided no such benchmark.

Reasonable people may define “financial stability” in different ways, but everyone agrees that we can best gauge that stability by rigorously measuring the condition of our banks. Yet Treasury has refused to call for additional stress tests of our financial system.

Reasonable people may disagree about how to help small businesses gain access to loans, but no one doubts that the solution must begin with a clear understanding of the problem. Yet Treasury has gathered only sparse data on the small business credit crunch.

The point is blunt: Without more candid data on bank stability, commercial real estate, small business lending and home mortgage foreclosure efforts, the shape and depth of the risks facing our economy remain hidden. And without more willingness to separate programs that have worked from those that have not, it is not possible to build the best defenses.

The problems in commercial real estate, small business lending and home mortgage foreclosure grow more urgent by the day. In only three months your office will lose the capacity to substitute better programs for those that have failed or to develop new programs to deal with coming risks. I will be very glad to see TARP end. But I realize that time is running out to make certain that we have used this money to assure the stability of our financial system. Time is also running out to make certain that TARP money is used to help families and small businesses the way it was so quickly used to help Wall Street banks.

Before we proceed with the Secretary’s testimony, I would like to offer my colleagues on the Panel an opportunity to make their own opening remarks.